

A jubilant day for sharecroppers

Bangladesh Bank, Brac organise the first reception for 9,000 farmers

SOHEL PARVEZ

The large audience in the Army Stadium was dancing under the open sky in a cheerful mood as the rhythm of drums and melody of folk songs filled the air.

They tossed their caps and empty bottles in the air, moving with the tempo of songs of folk singer Mamtaz, who was on a stage decorated with replicas of green paddy and farmers.

"It's wonderful. I am enjoying the music," said a smiling Mohammad Liton, owner of an acre of land at Dhupchachia in Bogra. He joined the event with his mates, coming from all over the country after hours of overnight travel.

Bangladesh Bank and BRAC organised the first reception for almost 9,000 farmers to recognise sharecroppers' contribution toward Bangladesh.

The ceremony, where 15 farmers were awarded, was held after Bangladesh Bank opened a Tk 500 crore revolving fund to finance sharecroppers to have the working capital and boost crop production.

"Sharecroppers are the main force of our agriculture. The financing is a step toward realising our dream of financial inclusion," said Bangladesh Bank Governor Atiur Rahman.

Finance Minister AMA Muhith, Agriculture Minister Matia Chowdhury, Brac Executive Director Mahabub Hossain and Director (News) of Channel i Shykh Seraj also spoke.

"We have to learn to respect our farm workers who are feeding us," said Muhith, adding that 50 percent of the country's labour-force is engaged in agriculture.

Despite their contribution, marginal and small farmers could not avail themselves of loans from banks as they had small lands. Many of them borrowed money from local lenders at high interest rates.

Some farmers said the loan eased their tensions of ensuring money to buy timely



Folk singer Kiran Chandra Roy performs at a reception accorded to sharecroppers at Army Stadium in Dhaka yesterday.

ANISUR RAHMAN

inputs needed to produce good crops. "In the past, buying timely inputs depended on collecting money. But the loan helped me a lot," said Mohammad Motalib, a small farmer of Kaunia, Rangpur, who borrowed Tk 9,000.

Like him, Amir Hossain, a small farmer of Brahmanbaria, said he is happy with the loan scheme, as it had enabled him to log better margins.

Under the scheme, the yearly interest rate is 10 percent and borrowers have to pay 30 percent of the payable in monthly

instalments before the harvest. The rest 70 percent has to be paid in two instalments after the harvest.

Mahabub Hossain said the organisation has financed 1.5 crore sharecroppers in the past 14 months and the repayment rate till date is 99 percent.

"Our small and marginal farmers proved that they can repay the loan if we can provide finance at the time of their need," he said.

Farmers at the event said they got loan without procedural difficulty. "If I want to

get loans from banks, I will have to wait for days and pay bribes. But here I did not face it," said Motalib.

Farmers bagged bumper crops in the recent aman season, said Matia Chowdhury. She urged lenders not to put farmers in 'debt-trap' and asked the farmers to repay loans timely.

She also suggested paying more attention to boost aus and aman crop, which get less attention than boro. The farmers said they want fair price of their produce so that they can repay the loan in time.

Micro lenders urged to widen outreach

STAR BUSINESS REPORT

Information Minister Abul Kalam Azad yesterday urged local microfinance institutions to go beyond their narrow field of microlending and move into more comprehensive financial services to effectively contribute to the speedy elimination of poverty.

"Poverty reduction is not only about improving financial services. It is also about improving human resources through improved health, education, agriculture and livelihood and improving the local institutions," he said.

The minister made the remarks at a seminar on 'Microcredit and Health Services Experiment in Bangladesh' at the auditorium of Brac Centre in Dhaka.

Institute of Microfinance (InM) and Department of Population, Family and Reproductive Health, School of Public Health, Johns Hopkins University, USA jointly organised the event.

Syed M Ahsan, professor of Economics at Concordia University, Canada, chaired the event, where Stan Becker, professor of Johns Hopkins University, USA, and his colleague at the university Dr Ruhul Amin and Simeen Mahmud, lead researcher of BRAC Development Institute (BDI), made presentations.

The comments from the information

minister were sharp contrasts from those of many of his colleagues in the government, including the prime minister, who have recently come heavily on the sector following revelations that Grameen Bank, the country's leading microfinance institution, has misused donors' funds -- an accusation yet to be proved by any quarter.

The minister said by taking innovative strategies of extending financial services and providing opportunities to millions of poor men and women to meet financial needs, microcredit is rendering services to the poor.

"Apparently, microcredit is also contributing to the financial sustainability of the microfinance institutions. But microcredit or limited financial services alone are not sufficient to lift the vast majority of the poor out of poverty."

"In addition to exploring innovative microfinance services we have to find out other effective strategies to make more impact on poverty reduction," Azad said.

The minister urged MFIs to look beyond the microcredit. "Now is the time for the inventors of microcredit to go beyond their narrow field of microcredit."

Simeen Mahmud said: "We have to look at why microcredit operations have worked in some areas and not in other

areas." Abbas Bhuiya, deputy executive director of International Centre for Diarrhoeal Disease Research, Bangladesh, said a lot of money is in use in microcredit sector. "So, we should look carefully and analyse the outcomes of the programmes."

Presenters at the seminar showed that health services programmes by the MFIs have not yielded expected result.

But Ruhul Amin said none should rush to reach a conclusion on microcredit, as their findings are still preliminary and not fully accurate.

At the seminar, Quazi Mesbahuddin Ahmed, managing director of Palli Karma-Sahayak Foundation (PKSF), accused many local microfinance institutions of investing surplus funds in other sectors than intended, breaching agreement with fund providers.

"There is evidence that surplus funds have been used in other sectors than microcredit. This has happened in the past and perhaps will be continuing in future," he said.

State-run PKSF has 257 MFIs as its partner organisations, taking loans of Tk 45,481 crore, which have been disbursed among 86 lakh borrowers. The agency disburses loans to large MFIs at 7 percent interest and at 4.5 percent to medium-sized and smaller MFIs.

"We have to be careful about the mission drift, as there is fund misuse and abuse by the MFIs," Ahmed said referring to the MFIs who borrow from PKSF.

He, however, refrained from naming which of the MFIs were involved in investing surplus funds in other sectors.

Ahmed said microcredit operations were launched in Bangladesh on a not-for-profit basis to eliminate poverty. "If we turn to profit-making, we will not be able to achieve our goal."

He said the MFIs generate surplus funds through various methods such as building savings. "They are bound by law to reinvest the lion's share of the surplus funds in the sector again. But there are incidents that they have not reinvested the fund in microcredit operations. Rather they have bought land or built buildings."

"Many NGOs are buying land and other properties. We should be careful so that funds are not misused," he later told The Daily Star by phone.

Ahmed, however, said there are many compliant MFIs. "We also take steps against agreement violators. We have downsized the loans for MFIs who have not complied fully."

InM Interim Executive Director Md Mosleh Uddin Sadeque also spoke at the seminar.

Govt asked to cut dependence on external aid

STAR BUSINESS REPORT

The country should cut dependence on external aid and increase its tax-GDP ratio to ensure sustainable development, speakers said at a seminar yesterday.

They also stressed domestic revenue mobilisation and efficient utilisation of the existing resources.

The seminar on "fiscal space and developing economics" was organised by the Bangladesh Institute of Development Studies (BIDS) in the capital.

Iyanatul Islam, the chief of the Country Employment Policy Unit of International Labour Organisation (ILO), presented the keynote.

Bangladesh traditionally has a low tax burden and tax-GDP ratio hovers around 9 percent of GDP (gross domestic product), Islam said.

Employment guarantee schemes will cost 1.9 percent of GDP and can be met entirely through a moderate increase in tax-GDP ratio by 3 percent, he added.

Showing the examples of various countries, Islam said fiscal space can be enhanced without new borrowing and additional aid inflows.

But generating that additional fiscal resources requires prior assessment of core development goals, he added.

Against the backdrop, the ILO high official stressed working out fiscally sustainable ways of raising additional resources required to meet the employment and social protection goals.

The paper also emphasised moving away from uni-dimensional notion of fiscal space and analysing the fiscal demand which requires room in a government's budget to meet a particular purpose, subject to financial stability and debt sustainability.

Mustafa K Mujeer, director general of BIDS, said: "Although external resources can play a complementary role in national development, the main focus of the government should be on increasing reliance on domestic resources."

Former Bangladesh Bank governor Mohammed Farashuddin said the government should change the mindset in decreasing the dependence on external aid and utilising the existing domestic resources.

The speakers also stressed the need for allocating a substantial portion of the budget for social security programmes.

They also emphasised re-prioritisation and efficient utilisation of budgetary resources and deficit financing for productive investment while negotiating with donors to obtain more predictable aid inflows.

ASA to open 300 SME branches in 2011

STAR BUSINESS DESK

ASA, one of the largest microfinance institutions in Bangladesh, will open 300 branches across the country in 2011 to cater small entrepreneurs. The organisation also plans to disburse Tk 8,000 crore in loans to restructure credit schemes to make them more flexible for clients. The plans were disclosed at the MFI's three-day annual coordinating meeting at Cox's Bazar on December 29-30, the company said in a statement yesterday. ASA President Md Shafiqul Haque Choudhury attended the programme as the chief guest. "Scholarship, health, sanitation and solar programmes of ASA will be extended to cover more people in 2011," said Choudhury, also a former caretaker government adviser. In the New Year, the MFI will also start 500 irrigation schemes using solar power. Over 150 delegates from districts and head office of the institution including top officials and directors participated in the event. Since its inception in 1978, ASA has extended its outreach in the country through 3,236 branches. Its 24,021 employees serve over 55 lakh clients. Microenterprise clients of ASA now account for over 10 percent of its clients and about 30 percent of its total loans outstanding.



Holcim Ltd Managing Director Rajnish Kapur poses along with the company's employees and their family members in Nepal recently. A team of 300 enjoyed an entertainment package tour to Nepal arranged by Holcim.

Flydubai to fly from Ctg on Jan 17

STAR BUSINESS REPORT

Dubai's low cost airline flydubai plans to begin flights from Bangladesh on January 17.

The airline will operate flights between Chittagong and Dubai, said a statement yesterday.

"The flights to Chittagong will not only cater to the Bangladeshi workforce in the UAE, but also will be instrumental in increasing trade and business between our two nations," the carrier's Chief Executive Ghaith Al Ghaith said.

"After an eventful year filled with many highlights, it is a great pleasure that we wrap up 2010 with the announcement of this new exciting destination."

The one-way fare from Dubai to Chittagong will cost a minimum of \$125, including one piece of hand luggage weighing up to 7kg plus one small laptop bag or handbag. The flights from Chittagong to Dubai start from \$200.

Tickets went on sale yesterday on www.flydubai.com.

Oil up

AFP, Singapore

Oil rose in afternoon Asian trade Thursday on expectations that freezing temperatures in the northern hemisphere will stoke demand, analysts said.

Happy New Year
2011

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